

**HOME TOWNSHIP
MONTCALM COUNTY, MICHIGAN
ANNUAL FINANCIAL STATEMENTS
AND
AUDITOR'S REPORT
JUNE 30, 2005**

Michigan Department of Treasury
496 (2-04)

DEC 28 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name HOME TOWNSHIP	LOCAL AUDIT & FINANCE DIV.	County MONTCALM
Audit Date 6/30/05	Opinion Date 9/7/05	Date Accountant Report Submitted to State: 12/23/05		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

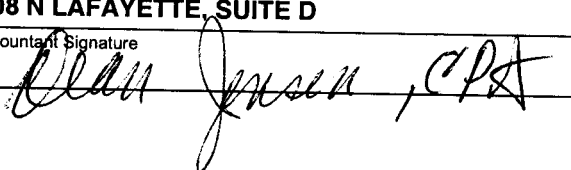
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) DEAN JENSEN, CPA, PC			
Street Address 108 N LAFAYETTE, SUITE D		City GREENVILLE	State MI
Accountant Signature 		ZIP 48838-0605	Date 12/23/05

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INDEPENDENT AUDITOR'S REPORT

To the Township Board
Home Township
Montcalm County, Michigan

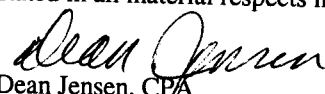
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Home Township, Montcalm County, Michigan, as of and for the year ended June 30, 2005, which collectively comprise Home Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Home Township, Montcalm County, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the supporting financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Home Township, Montcalm County, Michigan, as of June 30, 2005, and the respective changes in fund balance for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

As described in Note 1, the Township of Home has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2005. However, management has elected not to present the Management's Discussion and Analysis portion of the financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Home Township, Montcalm County, Michigan basic financial statements. The combining and individual fund financial statements as listed in the accompanying table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Dean Jensen, CPA
September 7, 2005

GOVERNMENT WIDE FINANCIAL STATEMENTS

**HOME TOWNSHIP
GOVERNMENT WIDE STATEMENT OF NET ASSETS
JUNE 30, 2005**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 768,970
Receivables - other governmental units	15,210
Capital assets (net)	<u>551,347</u>
Total Assets	<u><u>\$ 1,335,527</u></u>
 LIABILITIES	
Accounts payable	\$ 970
Payroll liabilities	<u>(586)</u>
Total liabilities	<u>384</u>
 NET ASSETS	
Invested in capital assets, net of related debt	551,347
Unrestricted	<u>783,796</u>
Total net assets	<u><u>1,335,143</u></u>

See accompanying notes to financial statements

**HOME TOWNSHIP
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Program Revenues</u>				<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
PRIMARY GOVERNMENT					
General government	\$ 154,279	\$ 25,997	\$ -	\$ -	(128,282)
Public safety	134,377	33,123	-	-	(101,254)
Public works	28,016	-	-	1,186	(26,830)
Recreation and culture	97,344	25,559	33,197	-	(38,588)
Total primary government	<u>414,016</u>	<u>84,679</u>	<u>33,197</u>	<u>1,186</u>	<u>(294,954)</u>
General Revenues					
Property taxes					297,617
State shared revenues					103,474
Unrestricted investment earnings					6,390
Other					25,400
Total general revenues					<u>432,881</u>
Change in net assets					
Net assets - beginning of year					137,927
Net assets - end of year					<u>1,197,216</u>
					<u>1,335,143</u>

See accompanying notes to financial statements

FUND FINANCIAL STATEMENTS

HOME TOWNSHIP
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2005

	MAJOR FUNDS							TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	MUNICIPAL STREET FUND	FIRE OPERATIONS FUND	POLICE OPERATIONS FUND	FIRE EQUIPMENT FUND	POLICE EQUIPMENT FUND	LIBRARY FUND	CEDAR LAKE LIGHTS FUND
ASSETS								
Cash and cash equivalents	\$ 190,193	\$ 63,971	\$ 66,667	\$ 79,892	\$ 190,549	\$ 75,100	\$ 101,503	\$ 1,095
Accounts receivable	15,210	-	-	-	-	-	-	-
Due from other fund	-	-	-	10,000	-	-	-	-
Total Assets	205,403	63,971	66,667	89,892	190,549	75,100	101,503	1,095
LIABILITIES AND FUND BALANCE								
LIABILITIES								
Accounts payable	970	-	-	-	-	-	-	-
Due to other fund	-	-	-	-	-	-	-	-
Payroll tax liabilities	(814)	-	51	177	-	10,000	-	-
Total Liabilities	156	-	51	177	-	10,000	-	-
FUND BALANCES								
Reserved for municipal streets	-	63,971	-	-	-	-	-	-
Reserved for fire operations	-	-	66,616	-	-	-	-	-
Reserved for police operations	-	-	-	89,715	-	-	-	-
Reserved for fire equipment	-	-	-	-	190,549	-	-	-
Reserved for police equipment	-	-	-	-	-	65,100	-	-
Reserved for library	-	-	-	-	-	-	101,503	-
Reserved for Cedar Lake Lights	-	-	-	-	-	-	-	1,095
Unreserved	205,247	-	-	-	-	-	-	-
Total Fund Balances	205,247	63,971	66,616	89,715	190,549	65,100	101,503	1,095
TOTAL LIABILITIES AND FUND BALANCES	\$ 205,403	\$ 63,971	\$ 66,667	\$ 89,892	\$ 190,549	\$ 75,100	\$ 101,503	\$ 1,095

Amounts reported for governmental activities in the statement of net assets are different because:

*Total fund balance - governmental funds

*Capital assets used in governmental activities are not financial resources and are not reported in the funds

Net assets of Governmental Activities

\$ 783,796
551,347

\$ 1,335,143

See accompanying notes to financial statements

HOME TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
JUNE 30, 2005

	MAJOR FUNDS							TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	MUNICIPAL STREET FUND	FIRE OPERATIONS FUND	POLICE OPERATIONS FUND	FIRE EQUIPMENT FUND	POLICE EQUIPMENT FUND	LIBRARY FUND	
REVENUES								
Property taxes	\$ 52,538	\$ 57,291	\$ 42,969	\$ 57,281	\$ 28,902	\$ 14,573	\$ 44,053	\$ 297,617
Special assessments	-	-	-	-	-	-	-	1,186
State grants	101,482	-	-	-	-	-	-	103,474
Interest	1,862	247	747	638	2,161	669	56	6,390
Rents	2,357	-	-	-	-	-	-	2,357
Fees and services	23,640	-	-	33,123	-	-	-	56,763
Penal fines	-	-	-	-	-	-	-	25,559
Gifts	-	-	-	-	-	-	-	33,197
Other	6,679	-	2	6,608	-	-	12,110	25,400
Total Revenues	188,558	57,538	43,718	97,661	31,063	15,242	116,967	551,943
EXPENDITURES								
General government	120,863	-	-	-	-	-	-	120,863
Public safety	-	-	39,035	72,306	-	-	-	111,341
Public services	826	25,748	-	-	-	-	-	28,016
Recreation and culture	-	-	-	-	-	-	92,060	92,060
Other	18,752	-	-	-	-	-	-	18,752
Capital outlay	7,130	-	-	-	-	27,800	-	42,488
Total Expenditures	147,571	25,748	39,035	72,306	7,558	27,800	92,060	413,520
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	40,987	31,790	4,683	25,355	23,505	(12,558)	24,907	138,423
FUND BALANCE-BEGINNING OF YEAR	164,261	32,180	61,933	64,359	167,044	77,658	76,596	645,373
FUND BALANCE-END OF YEAR	\$ 205,248	\$ 63,970	\$ 66,616	\$ 89,714	\$ 190,549	\$ 65,100	\$ 101,503	\$ 783,796

See accompanying notes to financial statements

**HOME TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

Net change in Fund Balances - total governmental funds	\$ 138,423
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

 Add: capital outlay

42,488

 Deduct: depreciation expense

(42,984)

Change in net assets of governmental activities	<u><u>\$ 137,927</u></u>
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See accompanying notes to financial statements

**HOME TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township was organized in 1865 and is located in Montcalm County, Michigan. The Township operates under an elected board of five (5) members and provides services to its residents in many areas including public safety (fire and police), highway and street maintenance, culture/recreation, public improvements, planning and zoning and general administrative services.

The accounting policies of Home Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The more significant of the government's accounting policies are described below.

A - THE REPORTING ENTITY

In accordance with generally accepted accounting principles and governmental accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", these financial statements present the Township and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on the application of the criteria, the township does not contain any component units.

B - GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C – MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Governmental Fund Financial Statements – The Governmental fund financial statements are reported using the current financial resources measurement and focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenue to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st.

Although the Township's 2004 ad valorem tax is levied and collectible on December 1, 2004, it is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing operations.

The 2004 taxable valuation of the Township totals \$61,359,906 on which ad valorem taxes levied consisted of .89474 mills for the Township operating purposes, .73177 mills for fire operations, .48777 mills for fire equipment, .97567 mills for police operations, .24377 mills for police equipment and .97567 mills for municipal streets. These amounts are recognized in the respective fund financial statements as revenue.

The government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

D- BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

Governmental Funds – The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Township has elected to report all governmental funds as major funds.

The Township reports the following governmental funds as major funds:

- **The General Fund** is the Township's primary operating fund. It accounts for all financial resources in the general government, except those required to be accounted for in another fund.
- **The Municipal Street Fund** accounts for the use of property taxes received under a specially voted millage for the activity related to the renovation and improvements to the Township's roads.
- **The Fire Operations Fund** accounts for the use of property taxes received under a specially voted millage for the activity related to the Fire Department.

NOTES TO THE FINANCIAL STATEMENTS (continued)

- The **Police Operations Fund** accounts for the use of property taxes received under a specially voted millage for the activity related to the Police Department.
- The **Fire Equipment Fund** accounts for the use of property taxes received under a specially voted millage for the activity related to the purchase of Fire Department equipment.
- The **Police Equipment Fund** accounts for the use of property taxes received under a specially voted millage for the activity related to the purchase of Police Department equipment.
- The **Library Fund** is used to account for funds received and expended for the operation of the Township's Library.
- The **Cedar Lake Lights Fund** is used to account for funds received and expended for the special assessment district which provides for street lighting for its district.

E – ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits and Investments – The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to / from other funds". Activity between funds that is representative of lending / borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to / from other funds". Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – The Township does not recognize as an asset inventories of supplies. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are expensed when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Township as individual assets with an initial cost equal to or more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements

Capital assets of the Township are depreciated using the straight line method over the following estimated useful lives:

NOTES TO THE FINANCIAL STATEMENTS (continued)

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Equipment and Furnishings	7 to 15 years
Fire Department Vehicles	25 years

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

F – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The government's final budget must be prepared and adopted prior to July 1st of each year.

The appropriated budget is prepared by fund, function and activity. The legal level of budgetary control is the activity level. Certain supplemental budgetary appropriations were made during the year.

The government does not utilize encumbrance accounting.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Township supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the Township Board adopts by resolution a budget for the ensuing year.
4. The Supervisor or his designee is authorized to transfer budgeted amounts within department appropriation accounts. However, any revisions that alter the total expenditures of any department must be approved by the Township Board.
5. Budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at the fiscal year end.
6. Adoption and amendments of all budgets used by the township are governed by Public Act 621.

Excess of expenditures over appropriations – Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2005, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

NOTES TO THE FINANCIAL STATEMENTS (continued)

	<u>Amended Budget</u>	<u>Actual</u>	<u>Unfavorable Budget Variance</u>
Fire Operations Fund			
Hitachi Payback	0	60	(60)
Library Fund			
Communications	1,850	1,861	(11)
Police Equipment Fund			
Equipment	17,809	27,800	(9,991)

NOTE 2 – CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorized the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. Investments can also be made in bonds, securities, and other direct obligations of the United States, or any agency or instrumentality of the United States, which are guaranteed as to principal and interest by the United States, including securities issued by the United States government, or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating agencies which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of the government of Michigan. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Township has designated four banks for the deposit of Township funds. The investment policy adopted by the Township in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States Government and bank accounts and CDs, but not the remainder of State Statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year end, the carrying amount of the Township's cash deposits and investments was \$768,970 and the bank balance was \$807,895. Of the bank balance, \$327,763 was covered by federal depository insurance and \$480,132 was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Local Government Unit or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

At year-end, the Township's investment balances were all categorized as category 1.

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 3 – CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

Land	\$ 61,717	\$ -	\$ -	\$ 61,717
Capital assets being depreciated				
Buildings	423,357	-	-	423,357
Improvements other than buildings	5,203	-	-	5,203
Machinery and equipment	213,857	16,531	-	230,388
Vehicles	235,198	25,957	-	261,155
Total capital assets being depreciated	877,615	42,488	-	920,103
Less accumulated depreciation for:				
Buildings	186,428	10,584	-	197,012
Improvements other than buildings	3,770	260	-	4,030
Machinery and equipment	84,809	18,410	-	103,219
Vehicles	112,482	13,730	-	126,212
Total accumulated depreciation	387,489	42,984	-	430,473
Net capital assets being depreciated	490,126	(496)	-	489,630
Governmental activities: Total				
Capital assets - net of depreciation	\$ 551,843	\$ (496)	\$ -	\$ 551,347

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General government	\$14,664
Public safety	23,036
Recreation and culture	<u>5,284</u>
Total Governmental Activities	<u>\$42,984</u>

The Township is considered a "Phase 3" Government, as defined by GASB 34. Accordingly, the Township has elected to not retroactively apply the reporting of major general infrastructure assets.

NOTE 4 – RETIREMENT PLAN

The Township has a defined contribution pension plan for all elected officials. A defined contribution pension plan provides pension benefits for each participant, and specifies how contributions to the individual's account are to be determined. The amounts participants receive depend solely on the amounts contributed to the participant's account and the returns earned on those contributions. During the year, the Township's actual contributions to the plan amounted to \$6,378. No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 5 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as workman's compensation benefits provided to employees. The Township has purchased commercial insurance for claims relating to general liability, errors and omissions, physical damage (equipment, building, and contents) and workers compensation.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

NOTE 6 – DEFERRED COMPENSATION

The Township does not have a deferred compensation plan.

NOTE 7 – POST EMPLOYMENT

The Township does not furnish any post employment benefits to its employees.

NOTE 8 - ACCUMULATED VACATION AND SICK PAY

The Township employees do not earn vacation pay and they are not paid for sick days.

HOME TOWNSHIP - GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Property taxes	\$ 50,045	\$ 50,045	\$ 52,538	\$ 2,493
Administration fee	22,722	22,722	21,675	(1,047)
State grants	99,000	99,000	101,482	2,482
Zoning fees	800	800	1,965	1,165
Interest	400	400	1,862	1,462
Rents and royalties	130	130	112	(18)
Community hall rents	1,000	1,000	2,245	1,245
Other revenues	4,250	4,250	6,679	2,429
Total Revenues	178,347	178,347	188,558	10,211
Expenditures				
Township board	22,000	23,574	19,642	3,932
Supervisor	8,000	8,000	7,778	222
Elections	4,650	8,182	8,129	53
Assessor	26,510	28,586	25,223	3,363
Attorney	4,000	4,100	3,536	564
Clerk	17,880	17,880	16,909	971
Board of Review	1,875	1,898	1,577	321
Treasurer	14,570	15,131	14,863	268
Township hall	17,350	22,804	21,923	881
Cemetery	2,700	3,535	3,346	189
Planning commission	6,075	6,075	5,067	1,008
Waste disposal	1,300	1,300	826	474
Building and construction	30,000	32,850	-	32,850
Contingencies	3,000	3,000	1,433	1,567
Insurance	6,100	6,711	6,310	401
Pension	6,000	6,378	6,378	-
Payroll taxes	3,700	4,631	4,631	-
Total Expenditures	175,710	194,635	147,571	47,064
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,637	(16,288)	40,987	57,275
FUND BALANCE - BEGINNING OF THE YEAR	164,261	164,261	164,261	
FUND BALANCE - END OF THE YEAR	\$ 166,898	\$ 147,973	\$ 205,248	

See accompanying notes to financial statements

**HOME TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 2005**

TOWNSHIP BOARD		
Salaries and wages	\$ 7,406	
Office supplies	2,889	
Professional services	3,042	
Communications	1,004	
Transportation	296	
Printing	406	
Miscellaneous	4,599	
Roads	-	
Hitachi Payback	-	
	<hr/>	19,642
SUPERVISOR		
Salaries and wages	7,759	
Miscellaneous	19	
Office supplies	-	
	<hr/>	7,778
ELECTIONS		
Salaries and wages	4,873	
Office supplies	983	
Transportation	132	
Printing	1,659	
Miscellaneous	482	
	<hr/>	8,129
ASSESSOR		
Salaries and wages	23,286	
Office supplies	1,766	
Tax bill preparations	-	
Miscellaneous	171	
	<hr/>	25,223
ATTORNEY		
Professional services	2,007	
Tax appeals	1,529	
	<hr/>	3,536
CLERK		
Salaries and wages	16,717	
Office supplies	136	
Miscellaneous	56	
	<hr/>	16,909
BOARD OF REVIEW		
Salaries and wages	1,223	
Printing	211	
Office supplies	52	
Miscellaneous	91	
	<hr/>	1,577
TREASURER		
Salaries and wages	14,321	
Office supplies	542	
Miscellaneous	-	
	<hr/>	14,863

See accompanying notes to financial statements

**HOME TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 2005**

TOWNSHIP HALL		
Operating supplies	335	
Copier expense	235	
Communications	517	
Public utilities	3,826	
Hall custodian	3,275	
Repair and maintenance	2,994	
Capital outlay - equipment	4,154	
Capital outlay - building improvement	1,000	
Capital outlay - library improvement	5,277	
Library maintenance	<u>310</u>	21,923
CEMETERY		
Salaries and wages	3,335	
Repair and maintenance	<u>11</u>	3,346
PLANNING AND COMMISSION		
Salaries and wages	4,788	
Office supplies	95	
Printing	129	
Miscellaneous	55	
Transportation	<u>-</u>	5,067
WASTE DISPOSAL		826
BUILDING AND CONSTRUCTION		-
INSURANCE		6,310
PENSION		6,378
PAYROLL TAXES		4,631
CONTINGENCIES		<u>1,433</u>
TOTAL EXPENDITURES		<u><u>\$ 147,571</u></u>

See accompanying notes to financial statements

**HOME TOWNSHIP
MUNICIPAL STREET FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property taxes	\$ 55,041	\$ 55,041	\$ 57,291	\$ 2,250
Interest	<u>60</u>	<u>60</u>	<u>247</u>	<u>187</u>
Total Revenues	<u>55,101</u>	<u>55,101</u>	<u>57,538</u>	<u>2,437</u>
EXPENDITURES				
Roads	<u>45,965</u>	<u>45,965</u>	<u>25,748</u>	<u>20,217</u>
TOTAL EXPENDITURES	<u>45,965</u>	<u>45,965</u>	<u>25,748</u>	<u>20,217</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,136	9,136	31,790	22,654
FUND BALANCE-BEGINNING OF YEAR	<u> </u>	<u>32,180</u>	<u>32,180</u>	
FUND BALANCE-END OF YEAR	<u>\$ 9,136</u>	<u>\$ 41,316</u>	<u>\$ 63,970</u>	

See accompanying notes to financial statements

**HOME TOWNSHIP
FIRE OPERATIONS FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property taxes	\$ 41,282	\$ 41,282	\$ 42,969	\$ 1,687
Interest	300	300	747	447
Miscellaneous	-	-	2	2
Total Revenues	<u>41,582</u>	<u>41,582</u>	<u>43,718</u>	<u>2,136</u>
EXPENDITURES				
Salaries and wages	15,000	18,351	18,351	-
Payroll taxes	800	1,369	1,369	-
Office supplies	300	300	87	213
Operating supplies	3,000	3,000	2,663	337
Communications	1,200	1,276	1,276	-
Repair and maintenance	5,000	5,000	1,938	3,062
Life insurance	650	650	438	212
Property and liability insurance	6,755	7,603	7,603	-
Workers' compensation	850	861	861	-
Firemen's liability insurance	1,920	1,920	1,920	-
Miscellaneous	2,000	2,000	525	1,475
Public Utilities	2,000	2,000	1,944	56
Hitachi payback	-	-	60	(60)
Total Expenditures	<u>39,475</u>	<u>44,330</u>	<u>39,035</u>	<u>5,295</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,107	(2,748)	4,683	7,431
FUND BALANCE-BEGINNING OF YEAR	<u>61,933</u>	<u>61,933</u>	<u>61,933</u>	
FUND BALANCE-END OF YEAR	<u>\$ 64,040</u>	<u>\$ 59,185</u>	<u>\$ 66,616</u>	

See accompanying notes to financial statements

**HOME TOWNSHIP
POLICE OPERATIONS FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property taxes	\$ 55,271	\$ 55,271	\$ 57,291	\$ 2,020
Police services	23,712	23,712	33,123	9,411
Miscellaneous	1,500	1,500	6,609	5,109
Penalties and fines	-	-	-	-
Interest	-	-	638	638
Total Revenues	<u>80,483</u>	<u>80,483</u>	<u>97,661</u>	<u>17,178</u>
EXPENDITURES				
Salaries and Wages	37,740	40,909	40,909	-
Payroll taxes	3,150	3,106	3,106	-
Property and liability insurance	1,720	5,033	5,032	1
Workers' compensation		798	798	-
Health insurance	651	8,530	8,523	7
Office supplies	400	300	274	26
Operating supplies	300	3,630	3,627	3
Professional services	2,000	1,200	1,200	-
Communication	1,200	1,200	1,175	25
Pension	7,980	3,938	3,938	-
Repairs and maintenance	3,000	3,000	2,074	926
Miscellaneous	300	10,000	-	10,000
Police liability	652	651	-	651
Office rent	1,200	1,650	1,650	-
Transportation	600	-	-	-
Life insurance	90	90	-	90
Total Expenditures	<u>60,983</u>	<u>84,035</u>	<u>72,306</u>	<u>11,729</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	19,500	(3,552)	25,355	28,907
FUND BALANCE-BEGINNING OF YEAR	<u>64,359</u>	<u>64,359</u>	<u>64,359</u>	
FUND BALANCE-END OF YEAR	<u>\$ 83,859</u>	<u>\$ 60,807</u>	<u>\$ 89,714</u>	

See accompanying notes to financial statements

**HOME TOWNSHIP
FIRE EQUIPMENT FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property taxes	\$ 27,516	\$ 27,516	\$ 28,902	\$ 1,386
State grants	-	-	-	-
Interest	<u>1,000</u>	<u>1,000</u>	<u>2,161</u>	<u>1,161</u>
Total Revenues	<u>28,516</u>	<u>28,516</u>	<u>31,063</u>	<u>2,547</u>
EXPENDITURES				
Equipment	<u>15,000</u>	<u>15,000</u>	<u>7,558</u>	<u>7,442</u>
Total Expenditures	<u>15,000</u>	<u>15,000</u>	<u>7,558</u>	<u>7,442</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>13,516</u>	<u>13,516</u>	<u>23,505</u>	<u>9,989</u>
FUND BALANCE-BEGINNING OF YEAR	<u>167,044</u>	<u>167,044</u>	<u>167,044</u>	
FUND BALANCE-END OF YEAR	<u>\$ 180,560</u>	<u>\$ 180,560</u>	<u>\$ 190,549</u>	

See accompanying notes to financial statements

**HOME TOWNSHIP
POLICE EQUIPMENT FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property taxes	\$ 13,751	\$ 13,751	\$ 14,573	\$ 822
Interest	<u>600</u>	<u>600</u>	<u>669</u>	<u>69</u>
Total Revenues	<u>14,351</u>	<u>14,351</u>	<u>15,242</u>	<u>891</u>
EXPENDITURES				
Equipment	<u>2,000</u>	<u>17,809</u>	<u>27,800</u>	<u>(9,991)</u>
Total Expenditures	<u>2,000</u>	<u>17,809</u>	<u>27,800</u>	<u>(9,991)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	12,351	(3,458)	(12,558)	(9,100)
FUND BALANCE-BEGINNING OF YEAR	<u>77,658</u>	<u>77,658</u>	<u>77,658</u>	
FUND BALANCE-END OF YEAR	<u>\$ 90,009</u>	<u>\$ 74,200</u>	<u>\$ 65,100</u>	

See accompanying notes to financial statements

**HOME TOWNSHP LIBRARY FUND
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 40,000	\$ 40,000	\$ 44,053	\$ 4,053
Penal fines	25,600	25,600	25,559	(41)
State grants	3,000	3,000	1,992	(1,008)
Gifts	33,500	33,500	33,197	(303)
Interest	175	175	56	(119)
Miscellaneous	11,500	11,500	12,110	610
Total Revenues	<u>113,775</u>	<u>113,775</u>	<u>116,967</u>	<u>3,192</u>
EXPENDITURES				
Salaries and wages	42,750	42,750	41,846	904
Payroll taxes	3,250	3,250	3,201	49
Workshops	550	550	415	135
Transportation	400	400	279	121
Office supplies	2,400	2,400	1,600	800
Communications	1,850	1,850	1,861	(11)
Book supplies	1,700	1,700	561	1,139
Books	16,000	16,000	13,302	2,698
Subscriptions	2,025	2,025	1,738	287
Audio-visual and non-book	4,000	4,000	3,864	136
Repairs and maintenance	50	50	-	50
Programs	2,000	2,000	1,563	437
Professional and contracted services	1,300	1,300	1,236	64
Printing	950	950	903	47
Insurance	250	250	214	36
Utilities	5,000	5,000	4,284	716
Capital outlay	3,750	3,750	415	3,335
Miscellaneous	1,500	1,500	1,302	198
Building maintenance	3,000	3,000	2,414	586
Electronics	12,500	12,500	11,062	1,438
Software	50	50	-	50
Total Expenditures	<u>105,275</u>	<u>105,275</u>	<u>92,060</u>	<u>13,215</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,500	8,500	24,907	16,407
FUND BALANCE-BEGINNING OF YEAR	<u>76,596</u>	<u>76,596</u>	<u>76,596</u>	
FUND BALANCE-END OF YEAR	<u>\$ 85,096</u>	<u>\$ 85,096</u>	<u>\$ 101,503</u>	

See accompanying notes to financial statements

HOME TOWNSHIP
SPECIAL REVENUE FUND - CEDAR LAKE LIGHTS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2005

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Special assessments	\$ 1,199	\$ 1,199	\$ 1,186	\$ (13)
Interest	40	40	10	(30)
Total Revenues	1,239	1,239	1,196	(43)
EXPENDITURES				
Street Lights	1,200	1,450	1,442	8
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	39	(211)	(246)	(35)
FUND BALANCE-BEGINNING OF YEAR	1,342	1,342	1,342	
FUND BALANCE-END OF YEAR	\$ 1,381	\$ 1,131	\$ 1,096	

See accompanying notes to financial statements

COMPLIANCE AND INTERNAL CONTROL

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

September 7, 2005

Members of the Township Board
Home Township
Montcalm County, Michigan

We have audited the general purpose financial statements of Home Township as of and for the year ended June 30, 2005, and have issued our report thereon dated September 7, 2005. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

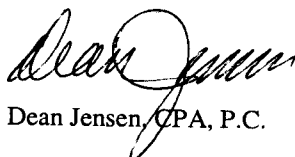
Compliance

As part of obtaining reasonable assurance about whether Home Township's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Home Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

This report is intended for the information of Township Board and management. However, this report is a matter of public record and its distribution is not limited.


Dean Jensen, CPA, P.C.

DEAN JENSEN
Certified Public Accountant, P.C.

108 N. Lafayette St., Suite D
P.O. Box 605
Greenville, MI 48838

Telephone (616) 754-8888
Fax (616) 754-5281

RECEIVED
DEPT. OF TREASURY

September 7, 2005

DEC 28 2005

To the Members of the Township Board
of Home Township

LOCAL AUDIT & FINANCE DIV
In planning and performing our audit of the general purpose financial statements of Home Township, for the year ended June 30, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 17, 2005 on the financial statements of Home Township.

Comments and Recommendations:

BUDGETS AND AMENDMENTS

Public Act 621, the Uniform Budgeting Act provides a system of uniform procedures for the preparation and execution of budgets in local units of government in the State of Michigan.

During the audit for the year ended June 30, 2005, we noted that actual expenditures exceeded budgeted amounts as explained in footnote 1. Although the excess expenditures were not significant, it suggests an insufficient level of budgetary review is occurring throughout the year. We would recommend the Township officials periodically examine budget to actual reports to ensure compliance with laws and regulations.

PRENUMBERED RECEIPTS

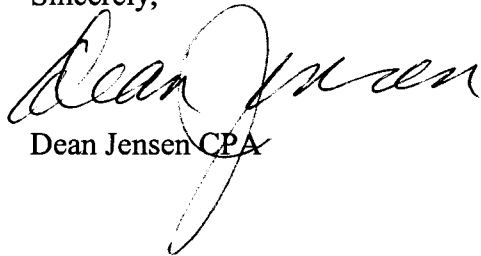
During the year ending June 30, 2005, the township started printing its receipts on the computer. Previously, the township purchased prenumbered duplicate receipt books.

For internal control purposes, we recommend the township use the prenumbered duplicate receipt books.

There were no additional comments or recommendations that we deemed necessary to bring to the attention of the Township Board at this time. We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the members of the Township Board and related regulatory agencies.

Sincerely,

A handwritten signature in cursive script, appearing to read "Dean Jensen".

Dean Jensen CPA